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Proposed Counsel to the Official Committee of
Unsecured Creditors of Women's Apparel Group, LLC

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS
EASTERN DIVISION**

In re:

WOMEN'S APPAREL GROUP, LLC,

Debtor.

Chapter 11

Case No. 11-16217 (JNF)

**THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS' STATEMENT IN
CONNECTION WITH THE DEBTOR'S MOTIONS TO (A) AUTHORIZE THE
DEBTOR TO OBTAIN SECURED POST-PETITION FINANCING, (B) SELL
SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS, AND (C) ASSUME THE
EXECUTORY MERCHANT AGREEMENT WITH PAYMENTECH LLC**

The Official Committee of Unsecured Creditors (the "Committee") of Women's Apparel Group, LLC, the above-captioned debtor and debtor-in-possession (the "Debtor"), by and through its proposed counsel,¹ Kelley Drye & Warren LLP ("Kelley Drye"), with respect to the following motions, states as follows:

- (1) Debtor's Motion For (I) Authorization to (A) Obtain Secured Post-Petition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, and 364(c) and (d);
(B) Grant Security Interests, Superpriority Claims, and Adequate

¹ On August 3, 2011, the Committee filed its Application of the Official Committee for Entry of an Order Authorizing and Approving the Retention of Kelley Drye & Warren LLP as Counsel to the Committee, *Nunc Pro Tunc* to July 20, 2011. See Docket Entry No. 196.

Protection; and (C) Use Cash Collateral; and (II) Schedule a Final Hearing Pursuant to Bankruptcy Rule 4001(c) (the “DIP Motion”);²

- (2) Debtor’s Motion Requesting (I) Approval of (A) Asset Purchase Agreement and Authorizing the Sale of Substantially All of the Debtor’s Assets Outside the Ordinary Course of Business, Free and Clear of All Liens, Claims, Interests, and Encumbrances, and Subject to Competing Offers; and (B) Bid and Auction Procedures; and (II) Related Relief (the “Sale Motion”);³ and
- (3) Debtor’s Motion to Assume Executory Merchant Agreement with Paymentech LLC and to Enter Stipulation and Order Between Paymentech LLC, Women’s Apparel Group, LLC, and Distinctive Apparel, Inc. in Connection with Assumption and Assignment of Merchant Agreement (the “Paymentech Motion”).⁴

PROCEDURAL HISTORY

1. On June 29, 2011, NL Ventures VII United, L.L.C., La Vita, Inc., Your Label, Inc., and Suburban Service Corporation filed an involuntary petition under chapter 7 of the Bankruptcy Code against the Debtor.⁵

2. On July 12, 2011, the Debtor filed a motion to convert the case from chapter 7 to chapter 11.⁶ On July 13, 2011 (the “Order for Relief Date”), the Court entered the order for relief which converted the case to a voluntary chapter 11.⁷ Since the Order for Relief Date, the Debtor has continued in possession of its properties and has continued to operate and manage its business as debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

² Docket Entry No. 48.

³ Docket entry no. 85.

⁴ Docket entry no. 126.

⁵ Docket Entry No. 1.

⁶ Docket Entry No. 47.

⁷ Docket Entry No. 60.

3. On July 20, 2011, the Office of the United States Trustee for the District of Massachusetts (the “U.S. Trustee”) appointed QuadGraphics, Central National Gottesman Inc. (Lindenmeyr Central Division), Gould Paper Corporation, Neolane, Inc., NL Ventures VII United, L.L.C., S. Rothschild & Co. Inc., and USA800, Inc. to the Committee.⁸ On the same day, the Committee selected Kelley Drye to serve as its counsel.

4. On July 12, 2001, the Debtor filed the DIP Motion. The DIP Motion was granted on an interim basis on July 15, 2011 (the “Interim Order”) and a final hearing was scheduled for July 26, 2011.⁹ The final hearing was subsequently continued by motion of the Debtor until August 8, 2011.¹⁰

5. On July 15, 2011, the Debtor filed the Sale Motion. A hearing to consider the Sale Motion, with respect to the sale procedures proposed therein, was scheduled for July 26, 2011.¹¹ The hearing was subsequently continued by motion of the Debtor until August 8, 2011.¹²

6. On July 21, 2011, the Debtor filed the Paymentech Motion. A hearing to consider the Paymentech Motion was scheduled for August 8, 2011.¹³

7. The deadline for the Committee to object to the Paymentech Motion is July 4, 2011 at 4:30 p.m. and the deadline for the Committee to objection to the DIP Motion and the Sale Motion is July 4, 2011 at 11:59 p.m.

⁸ Docket Entry No. 119.

⁹ Docket Entry No. 78.

¹⁰ Docket Entry Nos. 132 and 140.

¹¹ Docket Entry No. 125.

¹² Docket Entry No. 140.

¹³ Docket Entry No. 142.

STATEMENT AND RESERVATION OF RIGHTS

8. Since its formation on July 20, 2011, the Committee has been engaged in extensive, good faith negotiations with the Debtor and Distinctive Apparel, Inc. (“DAI”), the Debtor’s pre-petition and DIP lender and the proposed stalking horse bidder under the Sale Motion. In connection with these negotiations, the Committee has raised numerous concerns regarding the terms of the requested financing proposed in the DIP Motion, the terms of the proposed sale to DAI under the Sale Motion, and the provisions of the Paymentech Motion.

9. The Committee, the Debtor and DAI have made substantial progress in their negotiations and have, subject to definitive documentation and Court approval, reached a settlement with respect to the concerns raised by the Committee to each of the motions. The parties anticipate filing revised documents with the Court prior to the August 8, 2011 hearing and presenting the settlement to the Court. That being said, and out of an abundance of caution only, in the unlikely event that the parties are unable to agree on the definitive documentation memorializing the agreement reached prior to the hearing, the parties have agreed to a reasonable extension of time, and continuance of the hearing, to allow the Committee to file its objections to the DIP Motion, the Sale Motion and/or the Paymentech Motion.

Dated: New York, New York
August 4, 2011

KELLEY DRYE & WARREN LLP

By: /s/ Eric R. Wilson
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CERTIFICATE OF SERVICE

I, Eric R. Wilson, hereby certify that on this 4th day of August 2011, I served a true and correct copy of The Official Committee of Unsecured Creditors' Statement in Connection With The Debtor's Motion to (A) Authorize the Debtor to Obtain Secured Post Petition Financing, (B) Sell Substantially All of The Debtor's Assets, And (C) Assume The Executory Merchant Agreement With Paymentech LLC by the ECF system upon all parties who have filed an appearance in this case and are registered ECF users and by first-class mail, postage pre-paid, upon the parties listed on the attached Exhibit A.

KELLEY DRYE & WARREN LLP

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*Proposed Counsel to the Official Committee
of Unsecured Creditors of Women's Apparel
Group, LLC*

Exhibit A

U.S. Bankruptcy Court

Honorable Joan N. Feeney
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John W. McCormack Post Office and Courthouse
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Boston, MA 02109-3945

U.S. Trustee

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